

Message Text

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PAGE 01 MEXICO 16346 01 OF 02 301659Z

ACTION ARA-14

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 DODE-00

EB-08 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-05 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 IO-13

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R 292328Z SEP 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 5338

INFO USDOC WASHDC

LIMITED OFFICIAL USE SECTION 01 OF 02 MEXICO 16346

E.O. 11652: N/A

TAGS: ETRD, MX

SUBJECT: MODIFICATIONS TO IMPORT REGULATIONS

BEGIN UNCLASSIFIED: 1. AT SEPTEMBER 9 MEETING WITH MEMBERS OF THE AMERICAN CHAMBER OF COMMERCE, LIC. ANTONIO GAZOL, DIRECTOR GENERAL OF FOREIGN TRADE CONTROLS IN THE SECRETARIAT OF COMMERCE OUTLINED GOM PLANS TO RESTRUCTURE THE 21 YEAR OLD REGULATIONS PERTAINING TO IMPORTS. THE NEW PROGRAM, WHICH HE SAID SHOULD BE UNDERWAY BY DECEMBER 31 OF THIS YEAR, WOULD VIRTUALLY ELIMINATE THE NEED FOR PRIOR IMPORT PERMITS; HOWEVER, AT THE SAME TIME, DUTIES ON MOST ARTICLES WOULD BE RAISED CONSIDERABLY. CURRENTLY ONLY ABOUT 600 PRODUCTS OUT OF A TOTAL OF 5,629 UNDER THE TARIFF CODE CAN BE IMPORTED WITHOUT PRIOR PERMITS. GAZOL SPECULATED THAT THE RATIO WOULD BE REVERSED WHEN THE PROGRAM IS IN FULL EFFECT.

2. GAZOL SAID THAT THE LIBERALIZATION OF MEXICO'S IMPORT POLICY WAS LONG OVERDUE. MUCH OF MEXICAN INDUSTRY HAS BEEN OVER-SHELTERED AS A RESULT OF PAST PROTECTIONISM

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PAGE 02 MEXICO 16346 01 OF 02 301659Z

AND THUS HAS NOT BEEN COMPELLED TO STRIVE FOR EFFICIENCY. THE NEW TARIFF-BASED SYSTEM WILL PROVIDE MORE COMPETITIVE PRESSURE ON MEXICAN MANUFACTURERS WITH HOPED-FOR BENEFICIAL EFFECTS ON THE PRICE AND QUALITY OF DOMESTIC PRODUCTS. HOWEVER, GAZOL ADDED THAT THE NEW SYSTEM WOULD HAVE TO BE IMPLEMENTED GRADUALLY TO REDUCE THE IMPACT OF POSSIBLE SHORT-TERM NEGATIVE EFFECTS SUCH AS HIGHER COSTS OF IM-

PORTS, WHICH WOULD BE INFLATIONARY, AND DAMAGE TO THE GROWTH OF THE MEXICAN ECONOMY, WHICH COULD LEAD TO A RECESSION. DEPENDING ON THE PRODUCT CATEGORY, A DUAL SYSTEM OF LIBERALIZED IMPORT PERMITS AND HIGHER TARIFF DUTIES MIGHT BE INSTITUTED TO OPERATE ON SLIDING SCALE OVER SEVERAL YEARS.

3. AS A FIRST STEP TOWARD SIMPLIFICATION OF IMPORT PROCEDURES, GAZOL SAID THAT THE SECRETARIAT WAS BEGINNING TO AUTHORIZE MEXICAN COMPANIES TO APPLY FOR A SINGLE GLOBAL PERMIT TO COVER 12 MONTHS OF IMPORTS. THE SECRETARIAT HAS BEEN BACKLOGGED IN RECENT MONTHS AS IMPORT PERMIT REQUESTS HAVE REACHED A DAILY AVERAGE OF 1300. GAZOL ALSO SAID THAT THE PRESENT DECISION-MAKING PROCESS WAS TOO ARBITRARY, AND WOULD SOON BE REGULARIZED BY DIMINISHING THE ROLE OF THE PROTECTIONIST INDUSTRIAL COMMITTEES WHICH PASS ON THE PERMIT REQUESTS. IN THE FUTURE, DETERMINATIONS WILL BE MAINLY MADE BY THE PROFESSIONAL SECRETARIAT STAFF.

4. ON SEPTEMBER 14, THE SECRETARIAT OF COMMERCE PUBLISHED THE FIRST FORMAL MODIFICATIONS TO THE 1956 IMPORT PERMIT REGULATIONS, EFFECTIVE THE FOLLOWING DAY. ACCORDING TO THE PREAMBLE TO THESE REGULATIONS, THE OBJECTIVE OF TRADE POLICY IS TO PROVIDE FOR THE GRADUAL AND SELECTIVE SUBSTITUTION OF QUANTITATIVE CONTROLS BY TARIFF MEASURES, AND TO GIVE GREATER FLEXIBILITY IN ADMINISTRATIVE PROCEDURES. LIMITED OFFICIAL USE

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PAGE 03 MEXICO 16346 01 OF 02 301659Z

THERE WERE FEW APPARENT CHANGES FROM CURRENT PROCEDURES. SALIENT NEW POINTS ARE: 1) ALL REQUESTS FOR IMPORT PERMITS WILL BE ACTED UPON WITHIN 15 DAYS FROM DATE OF SUBMISSION; AND 2) GLOBAL PERMITS COVERING ONE YEAR'S IMPORTS WILL BE ISSUED TO QUALIFYING APPLICANTS. PRIOR REQUESTS TOOK 30 TO 45 DAYS FOR ACTION AND PERMITS WERE VALID FOR A MAXIMUM OF SIX MONTHS ONLY. HOWEVER, THE NEWLY PUBLISHED REGULATIONS ALSO PLACED A NUMBER OF RESTRICTIONS ON IMPORTS OF ITEMS REQUIRING PERMITS. AS IS THE ESTABLISHED PRACTICE, PERMITS WILL NOT BE GRANTED IF THERE IS ADEQUATE NATIONAL PRODUCTION OF THE ARTICLES OR IF SUBSTITUTES OF MEXICAN MANUFACTURE ARE AVAILABLE AT COMPETITIVE PRICES AND WITHIN REASONABLE DELIVERY PERIODS; OR IF ARTICLES DISPLAY MARKINGS IN MEASURING SYSTEM OTHER THAN THE METRIC ONE, EXCEPT UNDER SPECIAL CIRCUMSTANCES. THE ITEMS IMPORTED MUST ALSO BE OF SOCIAL OR ECONOMIC BENEFIT TO MEXICO.

5. THE NEW REGULATIONS ALSO PROVIDE THAT THE SECRETARIAT'S 75 CONSULTATIVE COMMITTEES OF TECHNICAL EXPERTS AND INDUSTRY REPRESENTATIVES SHOULD BE RESTRUCTURED AND BE REDUCED TO 15, COVERING BROAD MANUFACTURING CATEGORIES. THESE COMMITTEES ARE TO PLAY A LESS PROMINENT ROLE IN AWARDING

PERMITS THAN THEIR PREDECESSORS AS THEIR OPINIONS WILL BE
ADVISORY ONLY AND NOT BINDING ON THE SECRETARIAT STAFF.

6. IN A RELATED STEP, THE COMMERCE SECRETARIAT ON SEPTEMBER 25 DECONTROLLED IMPORTS OF THIRTY-ONE ITEMS BY NO LONGER REQUIRING PRIOR PERMITS. THE ITEMS INCLUDE: MINK AND NUTRIA PRODUCTS; MARBLE, ALABASTER AND IVORY PRODUCTS; TELEPHONE EQUIPMENT; COMPASSES AND BAROMETERS; GRAND PIANOS, PIANOLAS, VIOLINS, ELECTRONIC PIANOS, MUSIC BOXES, HARMONICAS, ACCORDIONS, PIPE ORGANS; CANES; KNIVES; MOUNTAIN CLIMBING BOOTS. HOWEVER, THE SECRETARIAT ADDED TO THE LIST OF ITEMS NEEDING PRIOR PERMITS FOR IMPORT CERTAIN FOOD PROCESSING EQUIPMENT SUCH AS SLICING AND

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PAGE 01 MEXICO 16346 02 OF 02 301701Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 MEXICO 16346

CHOPPING MACHINES FOR MEAT, FISH, CRUSTACEANS AND MOLLUSKS.
END UNCLASSIFIED.

BEGIN LIMITED OFFICIAL USE: 7. COMMENT: WITH THE EXCEPTION OF THE MODIFICATION TO THE COMMITTEE SYSTEM, THE IMPORT REGULATIONS PUBLISHED SEPTEMBER 14 CONTAIN LITTLE THAT IS NEW, BUT SERVE RATHER TO FORMALIZE PRACTICES ALREADY ESTABLISHED. NONETHELESS, GOM APPEARS SINCERE IN ITS DESIRE TO DO AWAY WITH THE IMPORT PERMIT SYSTEM AND TO STREAMLINE THE CUMBERSOME BUREAUCRACY WHICH HAS GROWN UP AROUND IT. HOWEVER, MEXICAN MANUFACTURERS, PARTICULARLY THE MORE IN-EFFICIENT ONES, WILL DOUBTLESS ACT TO PROTECT THEIR INTERESTS, AND IT IS LIKELY THAT RESTRUCTURING THE IMPORT SYSTEM WILL BE A PROTRACTED PROCESS. ADDITIONALLY, IT IS

DOUBTFUL THAT THE CHANGES WILL CONSTITUTE A TRUE LIBERAL-
IZATION OF TRADE POLICY, AS WE UNDERSTAND THAT TARIFFS ON
DECONTROLLED ITEMS WILL BE SET SO AS TO LIMIT IMPORTS TO
APPROXIMATELY THE SAME VALUE AS WOULD HAVE COME IN UNDER
THE OLD LICENCING SYSTEM. EMBASSY CONTACTS REPORT THAT
ONE OF THE PRINCIPAL REASONS FOR ABOLISHING THE PERMIT
SYSTEM IS THAT MEXICO INTENDS EVENTUALLY TO JOIN THE GATT.
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PAGE 02 MEXICO 16346 02 OF 02 301701Z

ANOTHER FACTOR IS THAT GOM WOULD WELCOME REVENUES GENERATED
BY THE INCREASED TARIFFS. END LIMITED OFFICIAL USE.
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Message Attributes

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Disposition Approved on Date:
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